



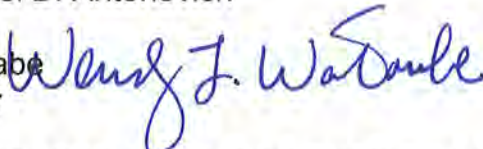
**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

September 9, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe 
Auditor-Controller

SUBJECT: **WEST COVINA FOSTER FAMILY AGENCY DBA HOMES OF HOPE – A
FOSTER FAMILY AGENCY AND GROUP HOME FOSTER CARE
CONTRACT PROVIDER – FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of West Covina Foster Family Agency DBA Homes of Hope (HOH or Agency) from January 1 through December 31, 2011. DCFS contracts with HOH to provide Foster Family Agency (FFA) services to recruit, certify, train, and support foster family homes. HOH is also licensed to operate one group home (GH) with a resident capacity of six children. HOH's office and GH are located in the First Supervisorial District.

At the time of our review, HOH had 145 children placed by Los Angeles County in 57 certified foster homes. DCFS paid HOH between \$1,430 and \$1,679 per child per month, for a total of \$3,048,298 in calendar year 2011. HOH paid \$1,546,987 (51%) directly to the foster parents, which exceeds the State's minimum requirement of 40%.

In addition, DCFS and the Probation Department contract with HOH to care for foster children placed in the Agency's GH. DCFS paid HOH \$7,530 per child per month, based on a rate determined by the California Department of Social Services, for a total of \$471,208 in GH foster care funds during 2011.

Summary of Findings

We identified \$10,718 in total questioned costs, which includes \$10,144 in unallowable expenditures, and \$574 in unsupported expenditures. We have recommended that DCFS resolve the questioned expenditures, and collect any disallowed amounts.

We also noted the following areas where HOH did not comply with the County contract. Specifically HOH needs to:

- Develop an equitable cost allocation plan.
- Strengthen its internal controls over accounting and disbursement procedures, deposits, and fixed assets.
- Prepare and submit Semi-Annual Expenditure Reports to DCFS as required by the County contracts.
- Ensure they properly classify employees and independent contractors.

In addition, DCFS needs to work with the Agency to resolve some potential overpayments related to the number of days children were placed in HOH's care, and recover any verified overpayments. DCFS should also ensure that HOH management takes action to address the recommendations in this report, and monitor to ensure the actions result in permanent changes. As part of our review, we also followed-up on 17 recommendations from our September 8, 2003 audit of HOH, and noted that the Agency had not implemented six (35%) of the recommendations. We informed DCFS management of the recurring problems from the prior audit and they plan to work with the Agency to ensure corrective action is taken.

Details of our findings and recommendations are discussed in Attachment I.

Review of Report

We discussed our report with HOH's management and DCFS on April 17, 2013. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates general agreement with our findings and recommendations. DCFS will work with HOH management to ensure the Agency takes action to address the recommendations in this report.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including but not necessarily limited to Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law.

This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report is being forwarded to DCFS in order that it might take further action as it deems appropriate, based on the report's contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank HOH's management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:AA

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DCFS
Jerry E. Powers, Chief Probation Officer
Mark J. Saladino, Treasurer and Tax Collector
Sukhwinder Singh, Executive Director, West Covina Homes of Hope
Board of Directors, West Covina Homes of Hope
B. Ray Thomas, Manager, Program/Provisional Unit, CDSS
Fanita Polk-Reaves, Manager, Audits Policy and Support Unit, CDSS
Commission for Children and Families
Public Information Office
Audit Committee

**WEST COVINA FOSTER FAMILY AGENCY DBA HOMES OF HOPE
FOSTER FAMILY AGENCY AND GROUP HOME CONTRACT PROVIDER
CALENDAR YEAR 2011**

REVIEW OF EXPENDITURES/REVENUES

We identified \$10,144 in unallowable expenditures, and \$574 in unsupported or inadequately supported expenditures. In addition, the Department of Children and Family Services (DCFS) and West Covina Foster Family Agency DBA Homes of Hope (HOH or Agency) need to work together to resolve some potential overpayments related to the number of days children were placed in HOH's care. Details of these expenditures and overpayments are discussed below.

Applicable Regulations and Guidelines

HOH is required to operate its Foster Family Agency (FFA) and Group Home (GH) in accordance with the following federal, State, and County regulations and guidelines:

- FFA and GH Contract, including the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unallowable Expenditures

We identified \$10,144 in unallowable expenditures. Specifically, HOH utilized foster care funds to pay the following:

- \$8,594 in penalties and interest to the Internal Revenue Service (IRS) and the California Employment Development Department (EDD), vendor late fees, and a parking citation to the City of Los Angeles. Circular A-122, Sections 16 and 23 indicate that penalties and interest are unallowable costs. We also noted unallowable penalties and interest in our September 8, 2003 report.
- \$1,550 in fees to Homeland Security for a petition for a nonimmigrant worker. The payments to Homeland Security were not related to the FFA or GH Programs.

Unsupported Expenditures

A-C Handbook Section C.1.5 states that only expenditures that are necessary, proper, and reasonable to administer the Program are allowable. In addition, A-C Handbook Section A.3.2 states that all expenditures must be supported by original vouchers, invoices, receipts, or other supporting documents. Unsupported expenditures will be disallowed upon audit.

HOH did not provide supporting documentation, or their supporting documentation did not establish that \$574 in expenditures (e.g., gasoline, office supplies, movie tickets, and food) were related to the FFA or GH Programs. We also noted unsupported or inadequately supported expenditures for supplies, gasoline, professional fees, and client related expenses in our September 8, 2003 report.

As discussed in the "Cost Allocation" section of this report below, HOH did not have a cost allocation plan to allocate costs among its programs and funding sources in compliance with Circular A-122 standards. During our review period, HOH received FFA program funding from DCFS and one other county. Since HOH did not have a cost allocation plan that complies with Circular A-122 requirements, we were unable to determine if the entire \$10,718 (\$10,144 + \$574) in questioned costs was associated with our programs, or with the program in the other county. Once HOH develops a cost allocation plan that meets Circular A-122 standards (see Recommendation 6), DCFS will need to determine the amount of unallowable and unsupported or inadequately supported costs that should be recovered, and should refer questioned costs attributable to the other county to the appropriate agency for collection.

Recommendations

- 1. DCFS management resolve the \$10,718 (\$10,144 + \$574) in questioned expenditures and collect any disallowed amounts.**

HOH management:

- 2. Ensure that foster care funds are only used for allowable expenditures.**
- 3. Maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

Potential DCFS Overpayments

DCFS' records show some potential overpayments made to HOH related to the number of days children were placed in HOH's care. DCFS and the Agency should work together to resolve the potential overpayments, and DCFS should collect any verified overpayment amounts. HOH management should also ensure that future payment

discrepancies are immediately reported to DCFS, and any excess amounts are repaid promptly.

Recommendations

- 4. DCFS work with HOH to resolve the overpayments, and collect any verified amounts.**
- 5. HOH management ensure that future payment discrepancies are immediately reported to DCFS, and any excess amounts are repaid promptly.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted several contract compliance issues and internal control weaknesses. DCFS should ensure that HOH management takes action to address each of the contract compliance and internal control recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Cost Allocation

A-C Handbook Section C.2.0 and Circular A-122 require agencies to allocate expenditures that benefit multiple programs or funding sources on an equitable basis. During our review period, HOH operated an FFA and a GH Program, and received revenue from Los Angeles and San Bernardino counties. We noted the Agency did not have a cost allocation plan to allocate expenditures on an equitable basis to each program and funding source that meets Circular A-122 standards.

Recommendation

- 6. HOH management develop a written cost allocation plan to allocate its costs among its programs and funding sources on an equitable basis that meets Circular A-122 standards, and submit the plan to DCFS.**

Accounting and Disbursements

We noted the following weaknesses in the Agency's accounting and disbursement procedures:

- The Agency issued 41 checks totaling \$320,142 where the check signer was also the payee, or the payee had a controlling interest in the company being paid. These checks were for FFA office and GH lease payments; and payroll checks, loan repayments, and telephone reimbursements to the Executive Director (ED). Although we determined that all the payments were appropriate, A-C Handbook Section B.2.1 requires a second signature on all checks. In addition, proper

disbursement procedures require a second signature from someone independent of the transaction, and at a higher level, to verify the appropriateness of the expense. We also noted checks requiring a second signature, and checks where the payee was also the check signer in our September 8, 2003 report.

- The Agency stamped "paid" but did not reference the check number to receipts or supporting documentation for 12 (20%) of the 60 expenditures reviewed. A-C Handbook Section B.2.1 requires all receipts and other supporting documentation to be referenced to check numbers and marked "paid" or otherwise cancelled to prevent reuse or duplicate payments. We also noted receipts or other supporting documentation that was not referenced to the check number in our September 8, 2003 report.
- The Agency misclassified five (8%) of the 60 expenditures within its accounting records. For example, the Agency improperly classified holiday decorations for a foster parent/child event as maintenance expense. A-C Handbook Section A.2.5 requires agencies to consistently post transactions of a similar nature to the same account.

Recommendations

HOH management:

- 7. Require a second signature on all checks from someone independent of the transaction, and at a higher level.**
- 8. Ensure all supporting documents are referenced to check numbers.**
- 9. Ensure expenditures are properly classified in the accounting records.**

Untimely Deposits

A-C Handbook Section B.1.2 requires cash receipts totaling \$500 or more be deposited within one day of receipt. Collections of less than \$500 may be held and secured, and deposited weekly, or when the total reaches \$500, whichever occurs first.

We identified 345 Los Angeles County warrants totaling \$113,238 that were deposited seven or more days after the issue date. Of these, 52 were deposited more than 18 days after the issue date. HOH management should arrange to have County payments electronically deposited directly into the Agency's bank account.

Recommendation

- 10. HOH management ensure that Los Angeles County warrants are deposited timely by arranging to have County payments electronically deposited directly into the Agency's bank account.**

Fixed Assets

A-C Handbook Section B.4.2 requires agencies to tag all fixed assets, and keep a current fixed asset listing, including the item description, serial number, date of purchase, acquisition cost, and source(s) of funding used to purchase the asset. In addition, agencies should conduct an inventory of fixed assets at least annually to ensure that all fixed assets are accounted for.

The Agency does not tag its fixed assets. In addition, the Agency's fixed asset listing does not include the serial number, date of purchase, acquisition cost, and source(s) of funding used to purchase the asset, and the Agency does not inventory its fixed assets annually. We noted a similar issue in our September 8, 2003 report.

Recommendations

HOH management:

- 11. Ensure that all fixed assets are appropriately tagged, and the fixed asset listing includes the serial number, date of purchase, acquisition costs, and source(s) of funding for each asset.**
- 12. Inventory fixed assets at least annually.**

Independent Contractors

A-C Handbook Section A.2.6 requires agencies to comply with all applicable federal and State requirements for reporting and filing 1099-Misc forms. Based on their accounting records, it appears HOH underreported the amounts paid to five (56%) of nine independent contractors reviewed by a total of \$4,111.

Recommendation

- 13. HOH management accurately report payments to independent contractors to the federal and State taxing agencies, and submit corrected 1099-Misc forms for the underreported payments, if applicable.**

Employee Classification

A-C Handbook Section A.2.6 states that agencies should comply with IRS guidelines in classifying employees and independent contractors. The EDD Employment Determination Guide states that if the work being performed by an individual is an integral part of the regular business of the employer, then there is a strong indication that the worker is an employee.

In 2011, HOH inappropriately classified two employees as independent contractors, and issued both Wages and Earnings (W2s) Statements and 1099-Misc forms to the employees. The Agency indicated that these individuals were employed to perform both social work and administrative duties. These individuals would fill-in when contracted social workers were unavailable because of illness, vacation, etc. The Agency issued 1099-Misc forms to report the amounts paid to these employees for the "as needed" social work duties. Since the individuals were employees of the Agency, the Agency should only issue W2s to them.

Because the two employees were also classified as independent contractors, the Agency did not pay the full amount of payroll taxes for these employees, which would make the Agency liable for the taxes, and any penalties and interest.

We also noted the Agency classified 12 (48%) of its 25 social workers as independent contractors. Since social work is an integral part of the Agency's business, HOH may be misclassifying their social work contractors.

The Agency needs to ensure compliance with all applicable employment classification requirements to avoid assessment of penalties and interest associated with outstanding payroll liabilities.

Recommendations

- 14. HOH management issue retroactive W2s to the two individuals who were also classified as independent contractors, and ensure that employment classifications are commensurate with IRS and EDD directives.**
- 15. DCFS management ensure that the Agency does not use foster care funds to pay any fines, penalties, or interest assessed for the Agency's failure to properly classify employees.**

Semi-Annual Expenditure Reports

FFA Contract Section 17 and GH Contract Section 16 require agencies to prepare and submit Semi-Annual Expenditure Reports (SAER) to DCFS within 60 days after the end of each reporting period. HOH had not submitted a SAER to DCFS since June 30, 2007. HOH must prepare and submit to DCFS the missing reports, and ensure all

future reports are submitted timely. In addition, DCFS needs to develop a tracking system to ensure foster care providers submit required reports timely, and hold agencies accountable for failing to comply with FFA and GH Contract terms.

Recommendations

- 16. HOH management prepare and submit missing SAERs to DCFS immediately, and ensure that future reports are submitted to DCFS timely as required.**
- 17. DCFS management develop a tracking system to ensure foster care providers submit the SAERs timely, and hold agencies accountable for failing to comply.**



County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

PHILIP L. BROWNING
Director

FESIA A. DAVENPORT
Chief Deputy Director

July 25, 2013

Sukhwinder Singh, Executive Director
West Covina Homes of Hope
1107 S. Glendora Ave.
West Covina, CA 91790

Dear Ms. Singh:

AUDITOR-CONTROLLER'S FISCAL REVIEW OF WEST COVINA FOSTER FAMILY AGENCY DBA HOMES OF HOPE - A FOSTER FAMILY AGENCY AND GROUP HOME FOSTER CARE CONTRACT PROVIDER

We have reviewed your revised fiscal corrective action plan (FCAP) received on July 23, 2013 in response to the Auditor-Controller's final draft fiscal audit. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

With regard to the \$10,718 in disallowed amounts, a total of \$10,144 are unallowable expenditures and can not be repaid with foster care funds. As part of the FCAP, the Department requires that you identify the source of the funds from which payments will be made.

Please contact the Los Angeles County Treasurer and Tax Collector (TTC), by July 31, 2013 to schedule a date and time to sign a repayment agreement for the amount of \$10,718. The terms of the repayment agreement would be determined and negotiated with TTC. Please contact:

Fernando Rubio Jr., Operations Chief
Los Angeles County Treasurer and Tax Collector Revenue and Enforcement
225 N. Hill Street Room 122, Los Angeles, CA 90012
(213) 893-7968
frubio@ttc.lacounty.gov

If you have any questions, please contact Ali Gomaa-Mersal, Financial Specialist IV, at (213) 351-3209.

Sincerely,

A handwritten signature in blue ink that reads "Latisha Thompson".

Latisha Thompson, ASM III
Fiscal Monitoring and Special Payments

Attachment

c: Sandra Gomez, Principal Accountant-Auditor (via electronic mail only)
Rhonda David-Shirley, LMFT, CSA III (via electronic mail only)

"To Enrich Lives Through Effective and Caring Service"

**AUDITOR-CONTROLLER'S FISCAL REVIEW OF WEST COVINA FOSTER FAMILY
AGENCY DBA HOMES OF HOPE - A FOSTER FAMILY AGENCY AND GROUP
HOME FOSTER CARE CONTRACT PROVIDER**

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the revised FCAP dated 7/23/2013, submitted by West Covina Homes of Hope, status of each recommendation is summarized as follows:

- 17 Recommendations (1-17) were fully addressed.
- Recommendations () were partially addressed.
- 4 Recommendations (1, 4, 15 & 17) directed to the Department were addressed.

Recommendation Status

1. **DCFS management resolve the \$10,718 (\$10,144 + \$574) in questioned expenditures and collect any disallowed amounts.**

Agency Proposed FCAP: HOH will contact DCFS to make payment arrangement to repay the total amount of \$10,718 for disallow expenses. HOH owes the executive director accrued salaries in excess of \$150,000. HOH will make payments to DCFS from the accrued salary account and will reduce the salaries owe to the executive director.

DCFS Response: DCFS accepts the agency's response. With regard to the \$10,718 in disallowed costs, a total of \$10,144 are unallowable expenditures and can not be repaid with foster care funds. As part of the FCAP, the Department requires that you identify the source of the funds from which payments will be made. Please contact the Los Angeles County Treasurer and Tax Collector (TTC), by July 31, 2013 to schedule a date and time to sign a repayment agreement for the amount of \$10,718. The terms of the repayment agreement would be determined and negotiated with TTC. Please contact:

Fernando Rubio Jr., Operations Chief
Los Angeles County Treasurer and Tax Collector
Revenue and Enforcement
225 N. Hill Street Room 122
Los Angeles, CA 90012
(213) 893-7968
frubio@ttc.lacounty.gov

2. **HOH management ensure that foster care funds are used for allowable expenditures.**

Agency Proposed FCAP: HOH management will ensure that foster care monies are going to be use strictly for allowable expenses according with the LA County contract. HOH management will review all request for payment and will approve only those expenditures that are related to the agency programs.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

3. **HOH management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

Agency Proposed FCAP: HOH management will maintain adequate supporting documentation for all agency expenditures with original itemized invoices, receipts, contracts, canceled checks and any other documentation that clearly establish the nature of the expenditure as it relates to the agency programs .

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

4. **DCFS work with HOH to resolve the overpayments, and collect any verified amounts.**

Agency Proposed FCAP: HOH will work with DCFS to resolve any overpayments and will report and return any overpayment. HOH management will reconcile their account receivables ledger on a monthly basis. This reconciliation will ensure that any payment received by HOH from DCFS is for services provided.

DCFS Response: The Overpayment Unit will actively work with HOH to resolve any pending overpayments and collect any valid overpayments amounts.

5. **HOH management ensure that future payment discrepancies are immediately reported to DCFS, and any excess amounts are repaid promptly.**

Agency Proposed FCAP: HOH management will ensure that any payment discrepancy will be notified immediately to DCFS and any overpayment will be repaid promptly. HOH account receivable ledger will reflect any discrepancy. Any overpayment check will not be cash or deposited and it will be returned to DCFS promptly.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

6. **HOH management develop a written cost allocation plan to allocate its cost among its programs and funding sources on an equitable basis that meets Circular A-122 standards, and submit the plan to DCFS.**

Agency Proposed FCAP: HOH will modify their existing cost allocation plan. HOH management will ensure that the new allocation plan will distribute its cost on an equitable basis according to Circular A-122 and will submit a copy to DCFS.

DCFS Response: DCFS accepts the agency's response. Please submit a copy of the cost allocation plan to DCFS by August 8, 2013. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

7. **HOH management require a second signature on all checks from someone independent of the transaction, and at a higher level.**

Agency Proposed FCAP: HOH has established a new policy that requires a second signature on any check where the payee might also be the check signer or has a controlling interest in the company.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

8. **HOH management ensures all supporting documents are referenced to check numbers.**

Agency Proposed FCAP: HOH management will ensure that all supporting documents are referenced to the check that was paid. The supporting documents will reflect the check number, payment date and description for the payment.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

9. **HOH management ensure expenditures are properly classified in the accounting records**

Agency Proposed FCAP: HOH management will ensure that expenditures are properly classified on the general ledger. All expenditures will be classified to the chart of account that best describe the purpose of the payment.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

10. **HOH management ensure that Los Angeles County warrants are deposited timely by arranging to have County payments electronically deposited directly into the Agency's bank account.**

Agency Proposed FCAP: HOH management will ensure that all LA County warrants are deposited on a timely matter. HOH will enroll with the LA County to receive payments electronically. All checks will be restrictively endorsed upon receipt. Cash and checks totaling \$500 or more will be deposited within one day of receipt.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

11. **HOH management ensure that all fixed assets are appropriately tagged, and the fixed asset listing includes the serial number, date of purchase, acquisition costs, and source(s) of funding for each asset.**

Agency Proposed FCAP: HOH management will ensure that all fixed assets purchased with a total cost value of \$500.00 or more and purchased with County funds are going to be appropriately accounted for. An annual inventory will be performed and all fixed assets will be tagged. HOH will maintain a fixed assets ledger that will list the asset serial number, acquisition date, cost amount, and source of funding for the purchase. A periodic physical review will be performed to ensure that all fixed assets are maintained in proper working order.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

12. **HOH management inventory fixed assets at least annually.**

Agency Proposed FCAP: HOH will conduct a fixed assets inventory annually and will follow CAP number 11 to ensure accuracy.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

13. **HOH management accurately report payments to independent contractors to the federal and State taxing agencies, and submit corrected 1099 forms for the underreported payments, if applicable.**

Agency Proposed FCAP: HOH management will ensures that payments to independent contractors are accurately reported to the Federal and State taxing agencies. HOH will correct and submit any underreported 1099's if applicable. All 1099's payments will be reconciled before submission to the taxing agencies.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

14. **HOH management issue retroactive W2s to the two individuals who were also classified as independent contractors, and ensure that employment classifications are commensurate with IRS and EDD directives.**

Agency Proposed FCAP: HOH will contact the two individuals in question and will issue W2's as requested. HOH will ensure that employment classifications are in accordance with the IRS and EDD regulations. HOH will review each employee duties and qualifications at the time of hiring to ensure that employees or contractors are classified properly according to Federal and State guidelines

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

15. **DCFS management ensure that the Agency does not use foster care funds to pay any fines, penalties, or interest assessed for the Agency's failure to properly classify employees.**

Agency Proposed FCAP: HOH management will ensure that it will not use foster care funds to pay any penalties, fines or interest assessed to the agency for any improper employee's classification. In the event that HOH is charge with any interest or penalties it will not use agency funds to pay these charges.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

16. **HOH management prepare and submit missing SAERs to DCFS immediately, and ensure that future reports are submitted to DCFS timely as required.**

Agency Proposed FCAP: HOH will prepare and submit any missing SAER, and will ensure that in the future all SAER's will be submitted to DCFS on a timely manner. At the present time all missing SAER's have been submitted to DCFS. Procedures have been established to ensure that all SAER reports are submitted on time to DCFS. HOH will ensure that the agency records are close and reconcile on a timely matter to meet the SAER's deadline.

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring Unit has received the required reports.

17. **DCFS management develop a tracking system to ensure foster care providers submit the SAERs timely, and hold agencies accountable for failing to comply.**

Agency Proposed FCAP: HOH will ensure that all future SAER's are submitted on a timely manner.

DCFS Response: Fiscal Monitoring Unit has staff monitoring the submission of SAERs to ensure that foster care providers are in compliance with the contract reporting requirements to submit the SAERs timely.